



## California Postsecondary Education Commission

# Higher Education Budget Update, 2006-07

On June 30, 2006, the Governor signed into law the 2006-2007 Budget Act for the State of California. The budget authorizes total spending of \$128 billion, \$101 billion from the State General Fund and \$27 billion from special funds. Both the prior year (2005-06) and current year (2006-07) budgets benefit from nearly \$8 billion in additional revenues now projected to accrue to the state due to increased tax collections tied to improved economic performance.

Among the major features of the new budget are the substantial increases in Proposition 98 spending for K-12 Education and the California Community Colleges. Including revised funding levels for 2005-06 (as increased by the May Revise), total Proposition 98 spending in 2006-07 has grown from around \$50 billion a year ago to more than \$55 billion today. The budget also provides \$2.8 billion one-time funds under the Proposition 98 funding guarantee to K-12 and the community colleges – \$2.5 billion to K-12 and \$300 million to the community colleges.

The 2006-07 budget also provides nearly \$5 billion to repay debt accumulated over the past two fiscal years. \$2.8 billion in General Funds is allocated to repay loans from transportation funds, local governments, schools, and other special funds, while \$2.1 billion is set aside as General Fund reserves and to reduce the balance of the Budget Stabilization Account, created through Economic Recovery Bonds authorized by the voters as Proposition 57 in March 2004.

## Higher Education Budget Highlights

The 2006-07 Budget provides nearly \$11 billion in State General Fund support for California higher education, an increase of \$931 million (9.4%) above 2005-06 funding. Including the \$1.9 billion in local revenues that are a major component of community college funding, total higher education State funding in 2006-07 is almost \$13 billion, 8.2% higher than in the previous year. Display 1 shows these funding totals.

### Higher Education State General Plus Local Funds (dollars in millions)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Percent Change</u>
University of California	\$2,699	\$2,839	\$3,077	8.4%
California State University	2,448	2,598	2,789	7.4%
California Community Colleges	5,023	5,743	6,183	7.7%
California Student Aid Comm.	598	738	847	41.6%
CPEC, Hastings College of Law	<u>10</u>	<u>10</u>	<u>13</u>	<u>25.0%</u>
Totals	\$10,778	\$11,928	\$12,908	8.2%

Sources: Higher education systems, State control agencies, CPEC analyses.

## **Programmatic Highlights**

### **University of California**

- \$51.0 million for enrollment growth of 5,149 new FTES (2.5%).
- \$80.5 million base funding increase (3%).
- No increase in systemwide resident student fee levels (\$75 million provided to backfill the anticipated forfeited fee revenues).
- \$19.3 million for Student Academic Preparation and Education Programs.
- \$24 million (\$14 million in one-time funds) for UC Merced operations costs.
- \$963,000 to expand entry-level Master's degree programs and traditional Master's degree nursing programs.
- \$375,000 for expansion of the Science and Math Teacher Initiative to the final three campuses.

### **California State University**

- \$75.7 million for enrollment growth of 8,306 new FTES (2.5%).
- \$61.3 million base funding increase (3%).
- No increase in systemwide resident student fee levels (\$54.4 million provided to backfill the anticipated forfeited fee revenues).
- \$7 for Student Academic Preparation and Education Programs.
- \$4.1 million for nursing programs - \$2 million for faculty recruitment and start-up costs (one-time funds), \$1.7 million for program expansion, pursuant to Chapter 592, Statutes of 2005, and \$371,000 to expand undergraduate nursing enrollments by 35 students.
- \$1.1 million for expansion of the Science and Math Teacher Initiative (\$652,000 in one time funds).

### **California Community Colleges**

The Budget agreement augmented 2005-06 General Fund allocations to community colleges by \$261 million. \$257.2 million of these funds were provided on a one-time basis to help meet the Proposition 98 funding guarantee for that year. These augmentations include:

- \$94.1 million for deferred maintenance, instructional equipment, and related work
- \$77.7 million, as a block grant, distributed on a per- FTES basis, for local priorities.
- \$40 million for career technical education equipment and facility work, to be coordinated with a similar initiative in the K-12 budget.
- \$40 million for payment of prior-year amounts owed for approved State-mandated costs.
- \$19.7 million for one-time costs related to the enactment of legislation containing a new community college funding formula.

- \$2.5 million for a three-year pilot program to help recruit and retain full-time nursing faculty and \$500,000 to expand nursing student Clinical Placement Registries statewide and to establish an on-line community colleges Nursing Faculty Registry.

Program highlights for the community colleges for the 2006-07 fiscal year include:

- \$97.5 million for enrollment increases of approximately 23,000 FTES (2%)
- \$294.4 million for a 5.92% cost-of-living adjustment for general-purpose apportionments.
- \$159.4 million for community college equalization, to ensure that all districts are equalized to the 90th percentile (this issue is also a component of the legislation implementing a new community colleges funding formula).
- \$30 million in one-time funds for a loan to the Compton Community College District, per enacted legislation, to assist with the district's recovery plan.
- A reduction in systemwide resident student fees from \$26 per unit to \$20 per unit, effective in Spring 2007 (\$40 million provided to backfill the anticipated forfeited fee revenues).
- \$30 million to increase the funding rate for specified community college non-credit courses, such as those linked to degree and certificate programs and to improved job placement and employability skills (also addressed in the CCC funding formula legislation).
- \$23.1 million increase for growth (\$5.1 million) and COLA (\$18 million) for community college categorical programs.
- \$10 million increase in apportionments to support remediation programs for high school students who failed to pass the California High School Exit Exam.

### **Student Aid Commission**

- \$108.4 million increase (14.7%) in State General Funds.
- \$38.8 million net increase for anticipated growth in the Cal Grant Program.
- \$51 million to replace surplus Student Loan Operating Fund (SLOF) monies used in prior years to support financial aid programs.
- \$11.9 million to increase the maximum Cal Grant award for new recipients attending non-public colleges and universities from \$8,322 to \$9,708.
- \$6.8 million increase for anticipated growth in costs for the Assumption Program of Loans for Education (APLE).
- Authorizations for several new, targeted APLE warrants – 100 for the National Guard APLE program, 100 new warrants for the State Nursing APLE, and 40 for the Nurses in State Facilities APLE (pursuant to legislation).

### **K-12 Education Budget Highlights**

- \$2.4 billion for apportionments growth and a 5.92% COLA for revenue limits and most categorical programs.
- \$426 million for after school programs, as required by Proposition 49 of 2002.

- \$350 million in Economic Impact Aid for districts to educate economically disadvantaged students and English learners.
- \$470 million for other initiatives, including: additional middle school counselors, a block grant for arts and music programs, expansion of eligibility for school child care and preschool services, and extra CAHSEE-related instruction for high school students.
- An additional \$2.5 billion in one-time K-12 education funds for: payment of K-12 State mandates, discretionary block grants to districts and schools, an additional block grant for school supplies and equipment for art, music, and physical education, and fund for school facilities emergency repairs as required under the “Williams” lawsuit settlement.

Also of note in the K-12 budget was the exclusion of an earlier proposed \$15 million for school districts to collect and provide complete longitudinal student data. This data was to be used to help assess individual student attendance and achievement over time and is needed for the California Longitudinal Pupil Achievement Data System (CALPADS) initiative.

### Summary

The 2006-07 budget benefits greatly from increased tax revenues. The budget funds many new initiatives and makes significant repayments of prior obligations. Should California’s currently strong economic performance continue, the State’s persistent structural budget deficit could diminish, however a weaker State economy will exacerbate this deficit and put at risk some of the fiscal commitments made in the revised 2005-06 and new 2006-07 state budgets.

Below are web links to additional information on the 2006-07 State budget:

Department of Finance: <http://www.ebudget.ca.gov/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf>

Legislative Analyst: [http://www.lao.ca.gov/2006/major\\_features/major\\_features\\_2006.pdf](http://www.lao.ca.gov/2006/major_features/major_features_2006.pdf)